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*Economic Council
of Canada*



Medium-Term Capital Investment Survey 1969

by
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[Canada] Economic Council

MEDIUM-TERM
CAPITAL INVESTMENT SURVEY

- 1969 -

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This paper was prepared by members of the staff of the Economic Council of Canada. The views and conclusions contained in it are those of the authors themselves.

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Ottawa, 1970
Cat. No.: EC21-2/1969

TABLE OF CONTENTS

	Page
ACKNOWLEDGMENTS	iv
IN PERSPECTIVE	v
HIGHLIGHTS	1
CAPITAL INVESTMENT OUTLOOK	2
Main Purposes of Proposed Investment	6
Rate of Capacity	7
Business Outlook	7
Concerns	8
Regional Distribution	9
Construction vs. Machinery and Equipment	10
Review of Principal Categories	12
Manufacturing - Total	14
<i>Manufacturing</i> - Chemicals	16
<i>Manufacturing</i> - Food and Beverages	17
<i>Manufacturing</i> - Primary Metals	18
<i>Manufacturing</i> - Pulp and Paper	19
<i>Manufacturing</i> - Transportation Equipment	20
<i>Manufacturing</i> - Other	21
Mining	22
Oil and Gas	23
Oil and Gas Transmission	24
Power Utilities	25
Telecommunications	26
Transportation and Storage	27
Trade, Finance and Other Commercial	28
Universities	29
Governments	30
APPENDIX	31

ACKNOWLEDGMENTS

We are grateful to the many business executives and to the government and university officials who entrusted to us their forward plans and made this survey possible.

Our appreciation and thanks are extended also to officials of the Department of Industry, Trade and Commerce, for their helpful collaboration again this year on the survey of business capital investment plans.

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In Perspective . . .

In the past, major fluctuations in total capital expenditures of business firms, governments and various public and private institutions have been associated with instability in the growth of the Canadian economy. In a number of its Annual Reviews, the Economic Council has accordingly stressed the importance of achieving both a more stable growth of the economy, and a smoother growth of total expenditures for new capital facilities. To encourage the latter, the Council has also emphasized the need for longer-term horizons for planning new capital spending on the part of both business and government, with greater attention being given to developing investment growth as evenly as possible.

Starting two years ago, the Economic Council decided to undertake, annually, a survey of capital investment intentions over the ensuing five-year period. The results of the latest survey, undertaken in October 1969, are set out in this report.

The results indicate a substantial increase in capital spending intentions for 1970, and a continuation of relatively high levels of such spending in several sectors of the economy in the early 1970's. But a number of considerations should be borne in mind in assessing these results.

1969 Capital Investment Survey

It is important to recognize that data provided by participating organizations reflect their intentions at the time of the survey, and that changing conditions may result in substantially different actual expenditures. There is evidence at the time of writing this report to suggest that some capital investment intentions have been deferred, at least for 1970, since the time of the survey.

Moreover, while the capital expenditures of the companies covered in this survey -- mainly large companies -- have in the past been closely related to total business capital investment, the relationship may not be as direct under conditions of monetary restraint, when smaller firms, especially those that rely on outside sources of funds, may face greater problems in the financing of desired capital investment.


Finally, while the increase in spending estimated for the coming year by the organizations surveyed is considerably in excess of the anticipated growth rate of the economy as a whole, proposed expenditures would not necessarily be inappropriate to requirements in some instances. Business capital investment declined in 1967 and 1968 relative to preceding years, and in 1969 actual expenditures fell well short of intentions at the beginning of the year. A number of firms reported that they were currently working at high rates of capacity, and if sales prospects materialized, additional capacity would be required to meet demand.

Some of the very high increases in capital spending proposed for 1970 by certain industry groups and governments would seem, nevertheless, to call for review in the light of both individual needs and the magnitude of overall capital expenditures reported in the survey. On the other hand, there are other industries, such as public utilities, in which the adequacy of planned expenditures, as set out here, may be questioned.

It has been our aim to make the results of this medium-term survey as useful as possible to both businesses and governments in their planning of appropriate patterns of capital investment. To this end, coverage was broadened in our survey a year ago to permit a breakdown of the results by industry groups. This year, coverage of governments for the five-year period has been added, and information has been sought on the rate of capacity at which firms were operating, on the purpose for which the proposed capital facility was planned, and on the regional distribution of new facilities.

The unique value of this survey lies in the fact that it is intended to provide various aspects of information on capital spending plans into the medium-term future, and hence to encourage development and improvement of five-year capital investment planning. It is our hope that with the continuing assistance of the participating organizations, the results of this medium-term survey may prove increasingly useful to the wide range of organizations whose capital investment plays such a vital role in the performance of the Canadian economy.

Arthur J. R. Smith,
Chairman



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HIGHLIGHTS

The following are the principal findings in an interview survey of medium-term (five-year) capital investment intentions of approximately 200 organizations -- large business firms, universities and governments -- conducted in October 1969. Not included in the survey were agriculture, fishing, and housing.

An overall increase of 14.5 per cent in capital investment in new construction, machinery and equipment is anticipated in 1970 by the organizations surveyed. Partly due to work stoppages and other delays, the increase in 1969 was lower -- an estimated 5 to 6 per cent -- than the 8 to 9 per cent increase planned at the beginning of the year. As a result, part of the outlays planned for 1970 represents a carry-over from original intentions for 1969. Because of continued spending increases projected by governments and universities, the relatively high levels of overall expenditure anticipated for 1970 are expected to be sustained, however, through 1971; in the business sector a decline in levels is indicated in 1971 compared with 1970.

Around two-thirds of the capital expenditures planned by the business firms in the survey are reported for expansion of productive capacity, with most of the balance intended for modernization and replacement of existing facilities but including also an allocation for research and development, pollution abatement, and other facilities. Increases in expenditure are expected to be concentrated in machinery and equipment rather than in construction.

Approximately 38 per cent of the new facilities presently planned by business firms for 1970 are designated for Ontario, and some shift is indicated in geographical distribution of this capital investment in 1970 from each of the other regions to the province of Ontario.

As a background to investment intentions for 1970 and 1971, most of the business officials interviewed anticipated increased sales, and a majority of them expressed optimism over the outlook for general business conditions and profits through the next two years.

1969 Capital Investment Survey

Main concerns expressed by the business officials were about the high cost and scarcity of funds, labour costs, prices, and the uncertainties of new taxation proposals to be set forth in the federal government's White Paper on Tax Reform which was impending at the time this survey was conducted.

Universities anticipate, in contrast with rapid increases projected in last year's survey, fairly moderate increases in capital expenditures over the early 1970's.

Governments, as a group, showed little increase in capital expenditures in 1969, but they anticipate a substantial increase of almost 19 per cent in 1970, a further increase during 1971, and a fairly sustained level of spending through the early 1970's.

CAPITAL INVESTMENT OUTLOOK

Coverage by the survey permits the data for business firms to be classified again this year into a number of industry sectors which are reviewed individually in the latter part of this report. Overall results of the survey, including the breakdown into industry groups and other types of enterprise, are summarized in index form for the 1968-74 period in the following table. Though 1968 is the latest year for which actual capital investment data were available at the time of the survey, preliminary actual figures provided for 1969 are considered to be a more useful base from which to construct the indexes; 1968 figures are shown in appropriate relationship to 1969 in the indexes, and are used in the calculation of the degree of coverage provided by the survey relative to total capital investment in each sector.

Capital Investment Outlook

INDEXES OF CAPITAL INVESTMENT INTENTIONS

(1969 = 100)

	1968	1969	1970	1971	1972	1973	1974	Survey Coverage ⁽¹⁾ (1968 data)	
								Millions of Dollars	Percentage of Total Sector
Manufacturing - Total	79.7	100.0	126.6	115.8	113.1	95.1	92.7	929	42
Chemicals	107.4	100.0	137.7	126.1	125.8	127.6	123.6	102	-- ⁽²⁾
Food & Beverages	68.8	100.0	138.4	105.7	76.0	61.9	57.9	56	24
Primary Metals	74.6	100.0	157.6	169.7	141.5	118.0	105.7	163	64
Pulp & Paper	83.3	100.0	94.6	78.8	90.5	71.7	65.2	314	69
Transportation									
Equipment	87.4	100.0	179.5	111.5	144.6	82.3	82.3	96	72
Other	69.7	100.0	116.0	124.6	121.0	112.8	123.0	198	48
Mining	86.1	100.0	95.2	109.8	61.5	39.0	29.0	419	74
Oil & Gas ⁽³⁾	94.9	100.0	125.7	114.1	103.9	90.3	94.9	711	90
Oil & Gas Trans- mission ⁽⁴⁾	101.5	100.0	112.5	103.8	96.4	91.5	106.3	298	-- ⁽⁵⁾
Power Utilities	105.8	100.0	102.8	103.2	90.1	87.8	79.6	1,370	98
Telecommunications	94.2	100.0	107.4	107.9	109.4	114.5	117.9	617	93
Transportation & Storage	97.4	100.0	109.1	118.6	121.4	109.3	113.0	532	-- ⁽⁵⁾
Trade, Finance & Other Commercial	113.1	100.0	138.3	134.6	106.7	106.5	102.7	208	14
Total Business	94.6	100.0	113.5	110.8	102.2	93.7	92.8	5,084	61
Universities	87.7	100.0	107.1	112.3	111.5	129.0	106.3	268	79
Governments	97.6	100.0	118.9	124.5	121.1	118.8	113.7	1,706	-- ⁽⁵⁾
Survey Total	95.0	100.0	114.5	114.3	107.4	101.6	98.8	7,058	45

(1) Survey coverage indicates the extent to which the survey data represent the total investment for each sector. To obtain the ratios, dollars reported in this survey for 1968 are compared with dollars of capital expenditures reported for the sector for that year in Private and Public Investment in Canada. The dollar data provide as well, an indication of the weighting of each sector in the total indexes.

(2) Does not include petrochemicals and hence is not comparable directly with Private and Public Investment in Canada.

(3) Includes production and refining.

(4) Includes pipelines and distribution.

(5) Not comparable with Private and Public Investment in Canada.

Note: Because the number of organizations providing estimates is not constant throughout the period, the index numbers have been built up from overlapping year-to-year comparisons rather than from simple totals. The figures used for any given year cover the same firms as in the immediately preceding year. Thus, although the coverage of the index is narrower in certain years, there is no distortion arising from lack of figures for some organizations.

As far as possible, allowances for price changes have been removed from the reported data before constructing the foregoing indexes. Fuller commentary on this factor appears in the Appendix.

1969 Capital Investment Survey

The results of a survey that involves the projection of events as far forward as five years should, as usual, be interpreted with caution. The figures should not be viewed as firm forecasts of actual expenditures, but rather as an expression of the intentions of the various organizations at the time the survey is taken. In this connection, aggregating the results of individual respondents obscures variations, whether large or small, which might be evident in the responses of individual participants. Our experience to date with medium-term surveys indicates, too, that investment projections are sensitive to changes in business and economic conditions and tend, in addition, to include only projects which are fairly firm. As a result, the indexes decline typically beyond the two- or three-year period, which is frequently adequate for the implementation of specific plans. Hence attention to the results of this survey should be focused on the early years of the period.

A further reservation may be appropriate in relating the results of this current survey to a broader outlook for capital investment in Canada. Many of the officials interviewed expressed concern over the effect of current high interest rates and the availability of funds. While many of the business firms expected to finance planned capital expenditures by internally generated funds, or by short-term bank borrowing until funds became available at more favourable terms, it should be noted that this survey covers mainly larger firms to whom financing may be more readily available than it is to smaller companies.

Thus the capital investment decisions of companies represented in the current survey may be affected by conditions of monetary restraint somewhat different than those of firms not covered in this survey. Moreover, as illustrated in the Appendix, while capital investment by the firms covered in this survey amounted to approximately 61 per cent of all business capital investment in 1968,

excluded from coverage are housing, agriculture, and fishing. In total, the organizations in the survey are shown to have accounted for 45 per cent of all private and public investment in Canada in 1968.

According to the indexes of total business intentions, the business firms surveyed expect that their capital expenditures will increase by 13.5 per cent in 1970 over 1969. Universities in the survey anticipate an increase of around 7 per cent, while the governments that reported project an increase of almost 19 per cent in 1970 compared with 1969. The investment intentions of business firms compare with an anticipated increase of 8.8 per cent in 1969 by roughly the same group of companies when they were surveyed one year ago. Estimates at the time of the current survey indicate, however, that due to construction delays, work stoppages and other factors, the actual increase realized in 1969, compared with 1968, will be less than 6 per cent. Many of the projects delayed in 1969 are being carried over into 1970 and account for a part of the anticipated 13.5 per cent increase in capital expenditures.

Indications are that among the firms surveyed, business capital investment will be lower in 1971 than the levels projected for 1970, but could nevertheless be broadly in line with requirements for investment appropriate to Canada's medium-term rate of growth of potential output, estimated in the Sixth Annual Review at 5.5 per cent per annum to 1975. As shown by the indexes, there is, however, quite a wide variation in investment intentions among the different business sectors, with some, such as the group of power utilities, projecting expenditures that would appear to fall short of possible requirements, and others whose increases in expenditures for 1970 would appear to be in excess of sustainable longer-term trends in an economy operating close to potential output.

1969 Capital Investment Survey

In the overall economy, the relatively high levels of capital investment planned for 1970 are expected to be sustained through 1971. The difference in pattern between overall results and those for business firms is due, of course, to the influence of universities and governments, both of which report further increases in anticipated expenditures in 1971 in addition to those planned for 1970, thereby offsetting the indicated reductions in investment by business firms.

Main Purposes of Proposed Investment

During this year's survey, companies -- especially those engaged in manufacturing -- were requested to break down their total projected expenditures into the different purposes for which the proposed new facility was intended. The following table shows the results for companies that reported this information. As levels of projected expenditures tend to fall off rather sharply in 1972, the breakdown by main purpose is shown only through 1971.

	Expansion	Modernization and Replacement	Services	Research and Development	Pollution Abate- ment	Other	Total	Ratios of Firms Reporting*
	(Per cent)							
1969	67.3	26.1	1.6	0.8	0.9	3.3	100.0	84:173
1970	71.5	21.8	1.4	0.5	2.0	2.8	100.0	86:173
1971	69.4	23.0	1.7	0.6	1.7	3.6	100.0	75:173

* Of the total of 173 business firms surveyed, the ratio indicates the number for each year that were able to provide a breakdown, by purpose, of the proposed capital expenditures.

It will be noted that fewer than one-half of the companies in the survey reported the purpose for which the new capital facilities were planned. While only around two-thirds of the investment in new facilities is designated directly for the expansion of capacity by these companies, some of the new investment for the purpose of modernization and/or replacement of existing facilities can be expected to provide increased capacity. Moreover, a number of projects will involve a combination of expansion,

Capital Investment Outlook

modernization and replacement. This factor, together with the relatively small ratio of companies that reported the breakdown by purpose of investment, suggests that the segregation of expenditures shown in the foregoing table should not be regarded as an accurate breakdown of all business capital investment covered in this survey. A more detailed report of this information by industry group is shown in the Appendix of this report.

Rate of Capacity

Companies were also requested to report the level of capacity at which they were operating in 1969 and the level anticipated in 1970. They were asked to apply their own definition of capacity, which in many cases seemed to be the level beyond which additional facilities would be planned. In general, the manufacturing firms and the mining and oil companies were able to provide information on capacity, but for some companies with a number of plants, or a varied product line, it was difficult to quote a meaningful single figure. Stated operating rates for industry groups in 1969 ranged from around 80 per cent of capacity to over 95 per cent. At the time of the survey, the majority of the industry groups expected to be operating at higher rates of capacity in 1970, and this is no doubt a significant factor in the relatively high anticipated increase of over 13 per cent in new capital investment in the coming year. Discussions of capacity indicated, however, that it is usually longer-term rather than short-run anticipated demands that motivate capital investment decisions.

Business Outlook

In addition to expecting to operate at higher rates of capacity, the majority of the businessmen when interviewed in October, anticipated increased sales in 1970 in the domestic market, and where they were engaged in export sales, in those markets as well. The outlook for profits and for economic growth in general was somewhat more mixed, especially in the short term, but on balance the business officials interviewed tended to view the future with confidence and optimism.

Concerns

The most common concern expressed was about current conditions of high interest rates and a scarcity of funds. However, since a large proportion of the reporting companies expect to finance their planned capital expenditures entirely from internal funds, and most of the others expect to finance a large proportion of their needs from such funds, the concern over current monetary conditions was largely set forth in terms of its effects on customers of the companies being surveyed, and on the economy in general. Given the general reliance on internal funds for the financing of capital expenditures, any deterioration in prospects for profits and the generation of funds could be expected, however, to result in the modification of plans for new capital investment.

None of the businessmen who commented on the subject were planning higher levels of capital investment in 1970 in anticipation of further cost increases in the future. A number stated that the cost of carrying capacity significantly in excess of requirements would likely be considerably more important than foreseeable increases in the cost of capital facilities.

Several firms indicated that additional projects were under consideration but plans were too tentative to be included in capital investment projections. This adds to the expectation that in 1973-75 the capital investment pattern is likely to be stronger than indicated by the current index. These plans in the formative stages, together with the substantial growth in capital expenditures projected for the next couple of years, suggest further that there will be continuing high demand for capital investment funds.

As mentioned earlier, other concerns discussed by businessmen included increasing labour costs, prices, and changes in taxation which might be contained in the White Paper on Tax Reform, which was impending when the survey was conducted.

Regional Distribution

Because of the Council's interest in prospects for regional economic growth, as well as for the growth of the Canadian economy as a whole, business firms were requested in the current survey to indicate the regional distribution of the facilities represented by the proposed capital expenditures. The results of this breakdown, provided by up to 160 of the 173 companies surveyed, are shown in the following table.

	Atlantic Provinces	Quebec	Ontario	Prairie Provinces	British Columbia	Yukon & N.W.T.	Unallo- cated	Total	Ratios of Firms Reporting*
	(Per cent)								
1969	8.4	17.7	32.1	23.1	16.2	1.3	1.2	100.0	160:173
1970	7.1	17.6	38.1	20.1	15.3	1.0	0.8	100.0	159:173

* Of the total of 173 business firms surveyed, the ratio indicates the number for each year that were able to provide a breakdown, by region, of the proposed capital expenditures.

Since the number of companies that reported regional allocation of their anticipated capital expenditures after 1970 declined sharply, results are shown only for 1969 and 1970.

Among the reporting companies, the largest allocation of investment is designated for Ontario, followed in order by the Prairie Provinces, Quebec, British Columbia, and the Atlantic Provinces. There is also a shift indicated from each of the other regions to the province of Ontario. As this is the first year our survey sought information on the regional distribution of capital expenditures, earlier figures are not available for comparison with the results of this survey. Similarly, it is not known whether the regional distribution of the capital investment planned by the larger firms covered in this survey is representative of all business capital investment.

1969 Capital Investment Survey

Construction vs. Machinery and Equipment

The following index shows the breakdown of the survey results between construction, and machinery and equipment for business firms and universities. As this information was provided by only two governments, they are not included in these indexes.

	1968	1969	1970	1971	1972	1973	1974
<u>1969 = 100</u>							
Construction	90.7	100.0	106.4	104.2	93.2	91.1	86.7
Machinery and Equipment	94.8	100.0	123.1	122.5	118.2	106.3	107.6

This breakdown should be regarded with particular caution. In the results of our survey last year the balance between these two categories of capital investment was substantially different for 1969 from that subsequently provided by the more extensive survey for Private and Public Investment in Canada (PPI).^{1/} Presumably the discrepancy was due at least in part to the fact that the split between construction, and machinery and equipment was somewhat different for the larger firms covered in our survey than for all other companies. The division into these two categories is also difficult to make under some circumstances: for example, when a project extends over a number of years, it may not be feasible to indicate, in other than rather approximate terms, the amount of work which will be accomplished per year for each category. Moreover, though fairly precise definitions are provided for guidance when organizations are preparing this information, it is not always clear within which category a particular item of capital investment should be placed.

^{1/} Based on data from Dominion Bureau of Statistics, and Department of Industry, Trade and Commerce, Private and Public Investment in Canada: Outlook 1969, Catalogue No. 61-205, Ottawa, Queen's Printer, 1969.

Capital Investment Outlook

According to the definitions, construction should include both contract work and work done on own account, and should cover building construction, all types of engineering construction, and oil drilling and mine development. The machinery and equipment figures should include the purchase and installation of industrial machinery, transportation equipment, tools and implements, professional and scientific equipment, and office and store furnishings. Sometimes, however, equipment is incorporated into structures -- for example, in certain chemical processing plants -- making the classification between construction and equipment difficult to determine.

Subject to these various limitations, the outlook at the time of this survey was for considerably greater increases in expenditures for machinery and equipment than for construction. Expenditures on construction by all organizations that were able to provide this breakdown for the current survey are estimated at approximately \$2.7 billion in 1969 out of a total construction expenditure forecast of \$11.4 billion (PPI). Intentions expressed by these organizations indicate that their expenditures for construction will increase moderately in 1970 and hold close to this level in 1971. Expenditures on new machinery and equipment for such organizations are estimated at a similar figure of \$2.7 billion for 1969 out of an estimated machinery and equipment total of \$6.0 billion, and are expected to increase substantially in 1970 and remain quite high during 1971 and 1972. As noted in the summary indexes in the Appendix of this report, construction, and machinery and equipment figures are included for only 189 of the total of 209 organizations that participated in the survey.

Review of Principal Categories

In the following review of individual industries, sustained increases in capital expenditures during the next five years are anticipated in primary metals, chemicals and the miscellaneous category of manufacturing; in the trade, finance and other commercial group of companies; in telecommunications; and transportation and storage. An anticipated decline in expenditures from 1969 levels is reported for pulp and paper and, with the exception of one year, for mining companies.

For universities, the outlook is for moderate increases in expenditure in the next two years and for these increases to be sustained on average throughout the period to 1975. For the near term, anticipated capital investment in universities has been reduced considerably since the time of the capital investment survey one year ago.

Governments indicate a quite high increase for 1970, a further increase in 1971, and a sustained level of spending in 1972 and 1973.

To provide readers of this report with a better indication of the significance which may be attached to the data and indexes presented in it, the degree of coverage is shown, when possible, of the investment anticipated by the various groups covered in the survey relative to total capital investment in Canada for each group. For this purpose, the level of capital expenditure determined in the survey for each group in 1968 is compared with the results of the annual questionnaire survey which are reported in Private and Public Investment in Canada, which provides full coverage of capital investment by each group for one year ahead. The latter survey is, however, conducted on an individual plant or local enterprise basis

which provides in some cases a slightly different "industry" or regional classification than our survey. For three industries -- chemicals, oil and gas transmission, and transportation and storage -- a different grouping of the companies is used in this survey than in PPI, and a comparison of the results is not meaningful.

It should be noted throughout that the index appearing as "total" is an index of the total reported capital investment intentions. It does not represent a total of the construction, and machinery and equipment indexes -- in some instances the index of total expenditures will fall outside the range of the other two indexes. This may result when some companies are unable to provide a breakdown of their expenditure intentions between construction and equipment, and they report the total only. In these cases the index of total expenditures will represent more reporting companies and hence will not be fully comparable with the two sub-indexes. As explained earlier, they are constructed from overlapping year-to-year comparisons and make provision for fewer organizations reporting towards the end of the period. A complete summary of indexes is presented in the Appendix.

1969 Capital Investment Survey

Manufacturing - Total

	1968	1969	1970	1971	1972	1973	1974
<u>1969 = 100</u>							
Construction	76.1	100.0	135.2	116.7	99.3	78.1	74.9
Machinery and Equipment	77.6	100.0	131.0	126.9	128.8	109.5	107.2
Total	79.7	100.0	126.6	115.8	113.1	95.1	92.7

Number of firms reporting: 76.

This category, which comprises all the manufacturing companies surveyed, is subdivided into a number of individual manufacturing industries for which separate indexes and discussions follow. The dollar level of capital expenditures by the 76 manufacturing firms covered in the survey was \$0.93 billion in 1968 and an estimated \$1.18 billion in 1969, and is expected to increase sharply to \$1.49 billion in 1970. On the basis of data provided in Private and Public Investment in Canada, in 1968 the firms in the survey represented close to 42 per cent of the capital outlays of all manufacturing firms in Canada. In the breakdown of capital expenditures by purpose, the group of manufacturing companies surveyed reported that of all capital expenditures in 1970, which show an anticipated increase of 26.6 per cent over 1969, 61 per cent were allocated to expansion of capacity and 25 per cent to modernization and replacement. The estimates for expansion of capacity range from a high of 80 per cent for food and beverages to a low of 47 per cent for the pulp and paper industry. Expenditures on facilities designed for pollution control are estimated at 4 per cent, and for research and development at 0.6 per cent, of total capital investment by the manufacturing companies in 1970.

Consistent with the pattern reported for all companies covered in the survey, the majority of the manufacturing firms looked to improved sales -- both domestic and export -- through 1970 and 1971. Presumably it is this expectation, plus the fact that several of the manufacturing companies in the survey reported that they have been operating at high rates of capacity during 1969, that accounts for the high rate of increase in capital investment planned for 1970. Expectations were that general business conditions would be reasonably good in 1970 and that profits would hold up satisfactorily. On the whole, more optimism was expressed for 1971 than for 1970.

Concern was mentioned frequently by officials of the manufacturing companies over the possibility of unfavourable taxation proposals in the impending White Paper on Tax Reform. The cost and availability of funds was mentioned frequently as well, not only on the part of some companies unable to provide the predominant proportion of needed financing from their own internal resources, but also by firms who believed that they could be indirectly affected through constraints felt by their customers. For a large proportion of the companies, the escalating cost of labour was also regarded as a problem. A few manufacturers expressed concern over steps that might be required to combat pollution, while others indicated that installations to reduce pollution had resulted in increased operating efficiencies which offset, to a considerable degree, the cost of the installation.

1969 Capital Investment Survey

Manufacturing - Chemicals

	1968	1969	1970	1971	1972	1973	1974
<u>1969 = 100</u>							
Construction	64.6	100.0	136.7	164.7	146.1	136.7	166.2
Machinery and Equipment	85.7	100.0	145.7	141.3	144.3	150.5	140.0
Total	107.4	100.0	137.7	126.1	125.8	127.6	123.6

Note: The fact that, for this industry in particular, the index of total expenditures appears to be out of line with those of construction, and machinery and equipment arises from the inclusion of some total data for which it was not possible to obtain construction, and machinery and equipment components.

Number of firms reporting: 7.

This category includes seven of the major chemical manufacturing companies. This is one of the industries for which data cannot be precisely related to information in Private and Public Investment in Canada. It is estimated, however, that coverage by the survey is close to 90 per cent of the capital investment in the chemical industry, exclusive of the petrochemical operations of the oil refining companies which are included in this survey under "Oil and Gas".

The chemical companies surveyed report 1968 capital investment of \$102.1 million and estimate 1969 expenditures at around \$95 million. They expect such expenditures to increase substantially in 1970, and to remain relatively high through 1974.

Due to the wide range of products manufactured by the chemical industry and the considerable variety within some of the individual companies, general information on capacity is difficult to provide. The companies reported operating rates in 1969 and anticipated rates for 1970 which varied from 50 per cent of capacity to full capacity.

The main concern expressed was over the fact that the Canadian chemical industry is exposed to world prices on the one hand, but on the other hand sees limited opportunity to expand the scale of operation and increase specialization to meet outside competition.

Capital Investment Outlook

In spite of this problem, plus concern over the cost of funds, the outlook for capital expenditures in the chemical companies surveyed is stronger than it was at the time of our survey one year ago. Over 60 per cent of the proposed expenditures are reported for expansion but with modernization and replacement also representing a substantial portion.

Manufacturing - Food and Beverages

	1968	1969	1970	1971	1972	1973	1974
<u>1969 = 100</u>							
Construction	63.4	100.0	147.3	97.1	73.9	68.0	59.4
Machinery and Equipment	72.3	100.0	132.7	110.9	77.2	58.0	57.0
Total	68.8	100.0	138.4	105.7	76.0	61.9	57.9

Number of firms reporting: 7.

Though the seven firms included in the survey are major manufacturers of food and beverage products, this industry includes a large number of companies, and the survey coverage represented only around one-quarter of total capital expenditures for the industry in 1968. Such outlays by the companies surveyed amounted to \$56.3 million in 1968, and they are expected to reach \$82 million in 1969 and to exceed \$110 million in 1970. On the basis of current intentions, capital expenditures will then fall off quite sharply through to 1974.

In general, the group of companies in the survey reported that they are currently operating at over 90 per cent capacity, and they expect to approach closer to full capacity in 1970 despite the substantial capital additions being made and planned. Company officials interviewed were unanimous in their outlook for increased sales in 1970 and 1971, and they have scheduled a large proportion -- close to 75 per cent -- of the capital investment in 1969 and 1970 for the expansion of productive capacity. This represents the highest proportion of investment allocated to expansion among the various categories of manufacturing covered by the survey.

1969 Capital Investment Survey

Manufacturing - Primary Metals

	1968	1969	1970	1971	1972	1973	1974
<u>1969 = 100</u>							
Construction	70.3	100.0	169.0	157.2	127.0	81.5	34.3
Machinery and Equipment	57.8	100.0	172.5	198.0	167.9	147.1	140.2
Total	74.6	100.0	157.6	169.7	141.5	118.0	105.7

Number of firms reporting: 10.

The companies surveyed in the primary metals industry are engaged in the manufacture of primary aluminum, steel and base metal products. In 1968 they represented around two-thirds of the total capital expenditures of all firms engaged in primary metals production in Canada.

On the basis of the companies covered in this survey, the outlook for this industry is for very high increases and relatively sustained levels of capital expenditure, especially during the next three years. These companies expect their capital outlays to increase from \$162.5 million in 1968 to \$217.7 million in 1969 and \$343.2 million in 1970.

Most of these firms report that they are now working at virtual capacity and look for increased sales in both domestic and export markets to absorb new productive capacity being added in 1969 and 1970. Their outlook for profits is, however, rather mixed -- with some declines, as well as increases, anticipated.

Concern was expressed at the time of the interviews over the possible decrease in depletion allowances which might be incorporated in the federal government's White Paper on Tax Reform which had not yet been released at that time. Some of the firms mentioned also that problems might be encountered in their attempts to control pollution.

The outlook is, nevertheless, for greater rates of increase in capital investment than were projected one year ago, largely due to the anticipation of further increases in sales volumes.

Capital Investment Outlook

Manufacturing - Pulp and Paper

	1968	1969	1970	1971	1972	1973	1974
<u>1969 = 100</u>							
Construction	84.6	100.0	100.8	80.4	83.1	63.5	63.2
Machinery and Equipment	94.0	100.0	101.8	97.9	115.9	92.5	82.3
Total	83.3	100.0	94.6	78.8	90.5	71.7	65.2

Number of firms reporting: 24.

While pulp and paper are the main products of the companies surveyed in this industry, a number of the firms also produce lumber and other wood products. Precise comparison with Private and Public Investment in Canada is not possible, but it is estimated that the companies in the survey account for 69 per cent of the total capital investment in the pulp, paper and forestry industries.

The intentions expressed by these companies indicate decline rather than growth in capital investment in this industry. Outlays on new capital facilities by the companies surveyed are estimated at \$377 million in 1969, up substantially from \$314 million in 1968, but total capital expenditures are not expected to reach 1969 levels again during the next five years.

Swings in capital expenditures are, however, fairly typical of the pulp and paper industry which characteristically adds new productive facilities in large surges, one of which was experienced in the mid-1960's. The companies covered in the survey anticipate that during the period to 1974, a progressively smaller proportion of capital expenditures will be devoted to expansion, while a proportionately greater share each year will be spent on modernization and replacement of existing facilities. Around 4 per cent of average annual expenditures are allocated specifically to pollution abatement.

Most of the firms surveyed reported that their newsprint and pulp operations in particular were running close to capacity in 1969. Moreover, they anticipate increases during 1970 and 1971 in both domestic and export sales

1969 Capital Investment Survey

and expect that even with the new facilities being added, they will continue to operate at virtually full capacity. This buoyant outlook led some officials to express the view that a major new round of capital expansion might be initiated, with the possibility of another period of over-capacity and depressed profits similar to the one through which the industry passed a few years ago.

Manufacturing - Transportation Equipment

	1968	1969	1970	1971	1972	1973	1974
<u>1969 = 100</u>							
Construction	94.1	100.0	142.9	161.6	104.7	89.0	88.2
Machinery and Equipment	85.5	100.0	187.8	93.7	158.6	79.8	80.8
Total	87.4	100.0	179.5	111.5	144.6	82.3	82.3

Number of firms reporting: 6.

The group of firms surveyed in the transportation equipment field, largely manufacturers of automobiles and aircraft, accounted in 1968 for an estimated 72 per cent of the capital investment in the entire transportation equipment industry. Some of the companies reported that they were operating well below capacity in 1969, and they expect this situation to persist through 1970; others have been operating, and expect to continue to operate, at near capacity, and it is the latter which account for the relatively high level of anticipated capital expenditures during the next three years. Capital outlays for the group covered in the survey are projected to increase from around \$119 million in 1969 to over \$210 million in 1970 and to fluctuate quite widely through 1971 and 1972.

One of the main problems reported by representatives of this industry is the present high cost and scarcity of funds. The effect is felt more directly by the customers and dealers of the manufacturing firms, but the latter are obliged in some instances to provide working capital assistance to their customers. In these circumstances, some of the manufacturing companies report that they have cut back on their own capital investment programs in order to enlarge working capital.

Capital Investment Outlook

Manufacturing - Other

	1968	1969	1970	1971	1972	1973	1974
<u>1969 = 100</u>							
Construction	65.9	100.0	175.2	150.1	104.3	90.8	133.0
Machinery and Equipment	70.1	100.0	109.8	124.1	124.2	116.4	124.3
Total	69.7	100.0	116.0	124.6	121.0	112.8	123.0

Number of firms reporting: 22.

The firms covered in the survey manufacture a wide variety of goods including electrical products, rubber, glass, textiles, machinery and metal products, cement and tobacco. In 1968 the 22 companies surveyed spent approximately one-half the total capital investment of the heterogeneous group they represent. As indicated by the survey, capital spending is expected to be relatively strong throughout the entire five-year period to 1974. Outlays in 1969 by the group surveyed are estimated at approximately \$285 million and are projected at a level of over \$300 million for each of the succeeding five years.

A number of the firms in this group reported, however, that they were operating below capacity in 1969. In some of these cases improvement is anticipated in 1970 but not to the extent of operating at full capacity. Manufacturers of cement and agricultural implements reported the highest degree of excess capacity, while the rubber industry is operating at capacity in general and looking forward to a period of expansion of facilities.

Among the companies in this group that reported the purpose for which the capital expenditure was planned, 50 to 60 per cent of the outlay was designated for expansion and 30 to 40 per cent for modernization and replacement. Of all the business firms surveyed, this group indicated the highest proportionate allocation of capital investment to research and development facilities, with about 3 per cent of total capital expenditures in most of the years covered by the survey.

1969 Capital Investment Survey

Mining

	1968	1969	1970	1971	1972	1973	1974
<u>1969 = 100</u>							
Construction	94.4	100.0	112.2	74.1	48.9	34.4	27.6
Machinery and Equipment	69.2	100.0	74.9	150.1	75.8	44.2	30.8
Total	86.1	100.0	95.2	109.8	61.5	39.0	29.0

Number of firms reporting: 17.

Companies in the survey are engaged in the mining of asbestos, coal and potash, as well as metals, and are estimated to account for around three-quarters of the capital expenditures of the Canadian mining industry as a whole.

The marked decline, in stated expectations for capital expenditures beyond 1971, is interpreted as a reflection of particular concerns of the industry at the time of the survey, as well as the basic difficulty faced by mining companies in trying to predict exploration results and associated capital outlays on new mines.

When this survey was made, several mining officials were apprehensive about possible proposals in the pending White Paper on Tax Reform which might adversely affect this industry. In addition, they shared the concerns of several other businessmen over high operating costs and the prices of some products, but they did not stress restraints imposed by high interest rates and scarcity of funds. In 1969 the companies surveyed expected to spend slightly under \$500 million on new capital investment.

Companies that responded to the enquiry regarding capacity reported, for the most part, that they were operating at a high rate of capacity in 1969 and expected to be close to capacity in 1970. Response to this question was limited, however.

The companies that reported capital investment by purpose of expenditure showed, for 1969 through 1971, a high figure of between 80 and 90 per cent for expansion and most of the balance for modernization and replacement.

Capital Investment Outlook

Oil and Gas

	1968	1969	1970	1971	1972	1973	1974
<u>1969 = 100</u>							
Construction	94.2	100.0	113.6	105.6	103.4	97.2	99.6
Machinery and Equipment	98.6	100.0	139.9	125.9	102.9	80.1	87.9
Total	94.9	100.0	125.7	114.1	103.9	90.3	94.9

Number of firms reporting: 21.

The companies surveyed in this industry range from the fully integrated operations to companies concerned only with the discovery and production of oil and gas. The survey is estimated to cover close to 90 per cent of all capital investment in the oil and gas industry.

The group of companies surveyed expect to spend \$750 million on new capital projects in 1969 and to increase this to over \$940 million in 1970. The manufacturing companies in particular reported that operations were close to capacity in 1969, and they expected to be at virtually full capacity in 1970. Approximately two-thirds of the reported capital investment intentions are for expansion, with most of the balance intended for modernization and replacement.

As in the mining industry, the major concern of the oil and gas companies at the time of the survey was about the possible tax treatment of the industry under the forthcoming tax structure proposals.

Other uncertainties are also having some bearing on investment planning in this field -- included are major new oil discoveries and their potential exploitation, and possible adjustments in North American energy policies.

Oil and Gas Transmission

	1968	1969	1970	1971	1972	1973	1974
<u>1969 = 100</u>							
Construction	105.8	100.0	91.4	111.2	97.9	105.2	116.5
Machinery and Equipment	94.4	100.0	146.8	90.9	93.7	68.1	91.1
Total	101.5	100.0	112.5	103.8	96.4	91.5	106.3

Number of firms reporting: 9.

This category comprises the major oil and gas pipeline companies and the larger gas distribution utilities. Capital expenditure levels are estimated at slightly under \$300 million in 1969 for the companies surveyed, and while this level is expected to be maintained on average through to 1974, considerable fluctuation is anticipated during the period.

Capital Investment Outlook

Power Utilities

	1968	1969	1970	1971	1972	1973	1974
<u>1969 = 100</u>							
Construction	85.6	100.0	88.6	93.3	79.4	76.9	71.7
Machinery and Equipment	142.2	100.0	164.6	154.7	147.0	145.4	129.3
Total	105.8	100.0	102.8	103.2	90.1	87.8	79.6

Number of firms reporting: 11.

Companies in this group are engaged in the production of electric power, and the survey provides virtually full coverage of the industry. Capital expenditures calculated at \$1.3 billion for 1969 are shown to grow little in 1970-71, and to decline substantially during the latter half of the period under review. The projected decline in levels of construction expenditure, accompanied by the sharp increase indicated for machinery and equipment, reflects the completion of the construction phase of some large electric power developments. Since construction typically accounts for two-thirds or more of total capital investment by this group, the reduction of construction expenditures has a major influence on the index of total spending. In view of the fact that capital investment by the electric power producers more than doubled over the five years previous to 1969 and that all these firms expect steady sales increases through the mid-1970's, the question arises as to whether the levels of investment projected in this survey are adequate to meet the electrical energy requirements of the economy.

The main concerns expressed by the power utilities were high cost and less ready availability of funds and the rapidly escalating costs of constructing and installing new facilities, against the background of regulated rates to customers. These are particular concerns of the larger power utilities because of the high requirements for funds, a major portion of which must usually be obtained outside company resources.

1969 Capital Investment Survey

Telecommunications

	1968	1969	1970	1971	1972	1973	1974
<u>1969 = 100</u>							
Construction	92.9	100.0	113.4	98.5	96.9	94.7	97.0
Machinery and Equipment	94.3	100.0	105.4	114.1	117.3	126.6	130.9
Total	94.2	100.0	107.4	107.9	109.4	114.5	117.9

Number of firms reporting: 10.

This industry group is comprised of telephone, telegraph and broadcasting companies. Coverage by the survey is estimated at 93 per cent of total capital investment in the industry. Expenditures of around \$650 million are reported for 1969 by the companies surveyed, with moderate increases from this level projected throughout the five-year period.

Company officials in this group reported that the high cost of funds is causing these companies considerable concern, especially when coupled with rigidly controlled prices at which most of them sell their services.

About 70 per cent of the proposed capital investment in this group for 1970 and 1971 is designated for expansion of capacity, and 26 per cent for modernization and replacement.

Transportation and Storage

	1968	1969	1970	1971	1972	1973	1974
<u>1969 = 100</u>							
Construction	72.5	100.0	110.0	122.3	101.5	98.7	85.1
Machinery and Equipment	114.3	100.0	108.5	116.0	134.7	116.4	131.2
Total	97.4	100.0	109.1	118.6	121.4	109.3	113.0

Number of firms reporting: 10.

Airlines, railways, motor transport companies, steamship lines, city transit systems and grain elevators constitute this industry group. Planned capital expenditures by the companies surveyed are estimated at \$550 million in 1969 and are expected to remain high through to 1974. Few of the companies reported operating rates relative to capacity, but the sustained level of anticipated capital investment would indicate that current operations in most of the companies may be close to capacity. Some companies emphasized the rapid rate of change in distribution technology and the high volume of new capital investment required to develop and apply it.

1969 Capital Investment Survey

Trade, Finance and Other Commercial

	1968	1969	1970	1971	1972	1973	1974
<u>1969 = 100</u>							
Construction	127.0	100.0	160.3	154.7	113.1	106.3	105.2
Machinery and Equipment	96.9	100.0	115.6	113.2	96.6	100.7	95.5
Total	113.1	100.0	138.3	134.6	106.7	106.5	102.7

Number of firms reporting: 19.

Included in this classification are banks, department stores, chain stores, and other firms engaged in a variety of commercial services. Because of the wide range of companies and diversity of type of operation, the companies surveyed represent only 14 per cent of the capital investment of the entire category.

The firms in the survey estimate their 1969 capital outlays at slightly over \$200 million.

Some concern was expressed about both the high cost and availability of funds, particularly among retail outlets dependent on outside sources of financing. There was also considerable mention of prices and the cost of labour and transportation among retailers who feel consumer resistance most directly.

Universities

	1968	1969	1970	1971	1972	1973	1974
<u>1969 = 100</u>							
Construction	107.3	100.0	107.3	115.2	126.6	155.6	122.9
Machinery and Equipment	83.2	100.0	79.7	87.0	82.4	99.8	109.7
Total	87.7	100.0	107.1	112.3	111.5	129.0	106.3

Number of institutions reporting: 26.

Universities from coast to coast were included in the survey which covers close to 80 per cent of the capital investment in all universities in Canada. Expenditures which are expected to be around \$300 million in 1969 for the universities surveyed are projected to exceed this figure by a significant margin in each year throughout the period to 1974. However, both the levels of expenditure and the rates of increase in expenditure have been modified appreciably since the time of the capital investment survey one year ago. These changes reflect cutbacks in a few instances but usually represent deferments of investment plans for two to three years. The increases in expenditures are concentrated markedly in construction, with levels of investment in machinery and equipment for most of the period falling below those reported for 1969. Capital investment in universities is typically around 80 per cent for construction and 20 per cent for machinery and equipment.

1969 Capital Investment Survey

Governments

	1968	1969	1970	1971	1972	1973	1974
<u>1969 = 100</u>							
Total	97.6	100.0	118.9	124.5	121.1	118.8	113.7

Number of governments reporting: 10.

Capital expenditure intentions were provided for this survey by the federal government and most of the provincial governments. Some of the provincial governments also provided information on capital spending plans for municipalities. This is the first capital investment survey for which such data have been made available to the Economic Council from governments. While some further detail and refinements are anticipated in future years, we regard the information received this year as an important step forward in coverage of medium-term capital investment intentions for the Canadian economy as a whole. This year's data did not provide sufficient information on construction, and machinery and equipment to permit a breakdown into these two categories. Progress towards this breakdown and towards fuller coverage of government outlays will be sought in future surveys.

Government expenditures included in this survey are estimated at \$1.9 billion in 1969 and, for the most part, expenditures represent investment in schools, hospitals, highways and public buildings.

APPENDIX

While the organizations covered this year remained essentially the same as those included last year, some modification in the type of information and data requested was introduced in this survey.

For the first time, participating companies were requested to provide us with either their projections of capital expenditures on the basis of 1969 dollars, or alternatively to advise us of the allowance provided in their projections for price changes from 1969 levels. Just under one-half of the companies' figures included allowances for price changes, which were removed before analytical use was made of the data. Due, however, to allowances for price changes which may, or may not, have been incorporated into suppliers' contracts or which may have been included as contingencies in their own estimates, many of the officials interviewed expressed reservations over their ability to provide very reliable figures either on a constant dollar basis or including a specific, reliable allowance for price changes. Accordingly, we believe that the data presented in this report represent a somewhat closer approximation to constant dollars than if no request regarding price allowances had been made or than did reports of previous capital investment surveys, but the data should not be regarded as representing accurate constant dollar estimates.

Mention was made earlier in this report that companies were requested also to indicate the purpose for which the proposed capital facilities were intended. The table on page 6 in the section on Main Purposes of Proposed Investment presents the results for 1969, 1970 and 1971 for all reporting companies, whereas the following table reports in greater detail the breakdown by individual industry or, where not sufficient companies reported as in nonmanufacturing, by broad industry group.

CAPITAL INVESTMENT INTENTIONS OF BUSINESS FIRMS, ALLOCATED BY PURPOSE

	Expansion			Modernization and Replacement			Services			Research and Development			Pollution Abatement			Other			Ratios of Firms Reporting*	
	1969	1970	1971	1969	1970	1971	1969	1970	1971	1969	1970	1971	1969	1970	1971	1969	1970	1971	1969	1971
(Per cent)																				
Manufacturing -																				
Total	60.9	61.4	59.2	25.8	24.6	25.9	1.9	2.3	2.8	1.7	1.2	1.4	2.0	4.0	3.5	7.7	6.5	7.2	51:76	52:76 47:76
Chemicals	49.0	61.7	67.1	39.2	30.6	28.1	3.0	2.4	2.2	1.1	0.8	1.3	5.6	2.8	1.1	2.1	1.7	0.2	5:7	5:7 4:7
Food & Beverages	70.3	80.0	84.7	18.2	11.9	12.1	0.9	1.4	1.1	1.2	0.2	--	2.7	1.7	0.9	6.7	4.8	1.2	5:7	5:7 3:7
Primary Metals	63.2	69.1	68.9	22.0	17.3	14.2	4.9	4.5	7.1	1.8	0.7	0.6	1.9	5.0	7.4	6.2	3.4	1.8	5:10	5:10 5:10
Pulp & Paper	61.8	46.7	36.8	30.0	42.4	51.3	2.3	2.6	2.2	1.2	0.9	2.0	2.0	5.6	4.3	2.7	1.8	3.4	14:24	14:24 14:24
Transportation Equipment	59.4	67.0	60.4	4.8	4.9	6.0	0.4	1.2	1.1	1.4	0.5	0.8	1.9	5.7	1.5	32.1	20.7	30.2	5:6	6:6 6:6
Other	59.2	53.4	56.9	32.9	38.1	35.3	1.1	1.1	0.3	3.2	3.4	2.7	0.6	1.1	0.7	3.0	2.9	4.1	17:22	17:22 15:22
Nonmanufacturing**	71.2	77.5	75.3	26.2	20.1	21.3	1.4	.8	1.1	.3	.2	.2	.2	.8	.6	.7	.6	1.5	33:97	34:97 28:97
Average of Firms Reporting	67.3	71.5	69.4	26.1	21.8	23.0	1.6	1.4	1.7	0.8	0.5	0.6	0.9	2.0	1.7	3.3	2.8	3.6	84:173	86:173 75:173

* Since all companies in the group surveyed did not show allocation of capital investment intentions by purpose, these columns show number of companies reporting allocation by purpose compared with total number of companies reporting capital investment intentions in this category.

** Number of companies reporting capital allocation in each category of this group was not sufficient to show results by individual industry. The group includes: Mining; Oil & Gas; Oil & Gas Transmission; Power Utilities; Telecommunications; Transportation & Storage; Trade, Finance & Other Commercial.

SURVEY COVERAGE

Compared with

NATIONAL ACCOUNTS

	Construction	Machinery and Equipment	Total
	(Millions of dollars)		
A. TOTAL CAPITAL EXPENDITURES			
<u>National Accounts**</u>			
Total private and public capital expenditures in 1968	10,136	5,542	15,678
<u>Survey</u>			
Capital expenditures in 1968 of all organizations included in survey	2,390	2,504	7,058*
Percentage coverage of <i>total</i> capital expenditures	23.6%	45.2%	45.0%
B. BUSINESS			
<u>National Accounts**</u>			
Total private and public capital expenditures in 1968	<u>10,136</u>	<u>5,542</u>	<u>15,678</u>
<i>less</i> government outlays	2,622	303	2,925
<i>less</i> housing	2,831	--	2,831
<i>less</i> institutions	488	124	612
<i>less</i> agriculture & fishing	<u>254</u>	<u>765</u>	<u>1,019</u>
Total business capital expenditures in 1968	3,941	4,350	8,291
<u>Survey</u>			
Capital expenditures in 1968 of all business organizations included in survey	2,208	2,463	5,084*
Percentage coverage of <i>business</i> capital expenditures	56.0%	56.6%	61.3%

* These figures cover all organizations participating in the survey. However, since a few organizations were unable to allocate spending between construction, and machinery and equipment, the survey figures for those two columns do not agree exactly with the total.

** National Accounts data from Dominion Bureau of Statistics, and Department of Industry, Trade and Commerce, Private and Public Investment in Canada: Outlook 1969, Cat. No. 61-205, Ottawa, Queen's Printer, 1969, Tables 1 and 9.

Also as pointed out earlier, a relatively small proportion of companies reported this classification by purpose. This, plus the fact that a number of capital projects are likely to represent a combination of expansion, modernization and replacement, and to include as well, facilities for purposes such as pollution control and research and development, suggest that this initial undertaking to classify capital expenditures by purpose should not be interpreted as a precise allocation of all capital expenditure intentions provided by the survey. When the information was requested companies were asked, when overlap occurred, to show the expenditure under the heading which represented the major purpose of the new facility. Some of the officials interviewed were reluctant to provide information in a way which suggested that expenditures could be allocated by purpose with apparent accuracy.

The preceding table illustrates that the coverage provided by this survey represented 61.3 per cent of total business capital formation in 1968 for the categories surveyed and that it accounted for 45.0 per cent of all private and public investment in Canada.

The final table presents summaries of all indexes included in this report. Although 1968 is the latest year for which final capital investment data were available, we believe, as noted earlier, that indexes on the basis of 1969 = 100 would be most useful. Since preliminary actual figures for 1969 could be estimated quite closely at the time of the survey, the indexes presented here are on the basis of 1969 = 100, with 1968 results appearing in appropriate relationship.

It will be noted that the number of organizations which were able to provide capital investment projections drops off towards the end of the period. As explained in footnote (3) to the following table, allowance is made for this narrower coverage in certain years and distortion for lack of figures for some organizations is avoided by using overlapping year-to-year comparisons for constructing the indexes.

Also, as pointed out earlier in this report, the total indexes represent indexes of total capital investment intentions rather than a summation of the construction, and machinery and equipment indexes. It will be noted from the information appearing under "Organizations Included" that a few participants were not able to provide a breakdown of their proposed expenditures into construction, and machinery and equipment. In a few cases the projected levels of expenditures for these organizations were sufficiently different from the rest of the group to cause the "total" index to fall outside the limits of the construction, and machinery and equipment sub-indexes.

1969 Capital Investment Survey

SUMMARY INDEXES OF CAPITAL INVESTMENT INTENTIONS

(1969 = 100)

	1968	1969	1970	1971	1972	1973	1974	1968	1969
	<u>Construction</u>								
Manufacturing - Total	76.1	100.0	135.2	116.7	99.3	78.1	74.9	77.6	100.0
Chemicals	64.6	100.0	136.7	164.7	146.1	136.7	166.2	85.7	100.0
Food & Beverages	63.4	100.0	147.3	97.1	73.9	68.0	59.4	72.3	100.0
Primary Metals	70.3	100.0	169.0	157.2	127.0	81.5	34.3	57.8	100.0
Pulp & Paper	84.6	100.0	100.8	80.4	83.1	63.5	63.2	94.0	100.0
Transportation									
Equipment	94.1	100.0	142.9	161.6	104.7	89.0	88.2	85.5	100.0
Other	65.9	100.0	175.2	150.1	104.3	90.8	133.0	70.1	100.0
Mining	94.4	100.0	112.2	74.1	48.9	34.4	27.6	69.2	100.0
Oil & Gas ⁽¹⁾	94.2	100.0	113.6	105.6	103.4	97.2	99.6	98.6	100.0
Oil & Gas Trans- mission ⁽²⁾	105.8	100.0	91.4	111.2	97.9	105.2	116.5	94.4	100.0
Power Utilities	85.6	100.0	88.6	93.3	79.4	76.9	71.7	142.2	100.0
Telecommunications	92.9	100.0	113.4	98.5	96.9	94.7	97.0	94.3	100.0
Transportation & Storage	72.5	100.0	110.0	122.3	101.5	98.7	85.1	114.3	100.0
Trade, Finance & Other Commercial	127.0	100.0	160.3	154.7	113.1	106.3	105.2	96.9	100.0
Total Business	89.6	100.0	106.3	104.3	90.7	86.0	83.7	95.0	100.0
Universities	107.3	100.0	107.3	115.2	126.6	155.6	122.9	83.2	100.0
Governments	--	--	--	--	--	--	--	--	--
Survey Total	90.7	100.0	106.4	104.2	93.2	91.1	86.7	94.8	100.0
Organizations Included ⁽³⁾	178	189	188	165	165	161	146	178	189

(1) Includes production and refining.

(2) Includes pipelines and distribution.

(3) Because the number of organizations providing estimates is not constant throughout the period, the index numbers have been built up from overlapping year-to-year comparisons rather than from simple totals. The figures used for any given year cover the same firms as in the immediately preceding year. Thus, although the coverage of the index is narrower in certain years, there is no distortion arising from lack of figures for some organizations.

SUMMARY INDEXES OF CAPITAL INVESTMENT INTENTIONS (cont'd.)

(1969 = 100)

1970	1971	1972	1973	1974	1968	1969	1970	1971	1972	1973	1974
<u>Machinery and Equipment</u>					<u>Total</u>						
131.0	126.9	128.8	109.5	107.2	79.7	100.0	126.6	115.8	113.1	95.1	92.7
145.7	141.3	144.3	150.5	140.0	107.4	100.0	137.7	126.1	125.8	127.6	123.6
132.7	110.9	77.2	58.0	57.0	68.8	100.0	138.4	105.7	76.0	61.9	57.9
172.5	198.0	167.9	147.1	140.2	74.6	100.0	157.6	169.7	141.5	118.0	105.7
101.8	97.9	115.9	92.5	82.3	83.3	100.0	94.6	78.8	90.5	71.7	65.2
187.8	93.7	158.6	79.8	80.8	87.4	100.0	179.5	111.5	144.6	82.3	82.3
109.8	124.1	124.2	116.4	124.3	69.7	100.0	116.0	124.6	121.0	112.8	123.0
74.9	150.1	75.8	44.2	30.8	86.1	100.0	95.2	109.8	61.5	39.0	29.0
139.9	125.9	102.9	80.1	87.9	94.9	100.0	125.7	114.1	103.9	90.3	94.9
146.8	90.9	93.7	68.1	91.1	101.5	100.0	112.5	103.8	96.4	91.5	106.3
164.6	154.7	147.0	145.4	129.3	105.8	100.0	102.8	103.2	90.1	87.8	79.6
105.4	114.1	117.3	126.6	130.9	94.2	100.0	107.4	107.9	109.4	114.5	117.9
108.5	116.0	134.7	116.4	131.2	97.4	100.0	109.1	118.6	121.4	109.3	113.0
115.6	113.2	96.6	100.7	95.5	113.1	100.0	138.3	134.6	106.7	106.5	102.7
124.2	123.6	119.3	106.7	107.8	94.6	100.0	113.5	110.8	102.2	93.7	92.8
79.7	87.0	82.4	99.8	109.7	87.7	100.0	107.1	112.3	111.5	129.0	106.3
--	--	--	--	--	97.6	100.0	118.9	124.5	121.1	118.8	113.7
123.1	122.5	118.2	106.3	107.6	95.0	100.0	114.5	114.3	107.4	101.6	98.8
188	165	165	161	146	201	209	209	193	192	190	168

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by

B. A. Keys, F. G. Thompson, M. Heath

Economic Council of Canada